

FY 2016 Public Cost Segments and Components Report

I. PREFACE

A. Purpose and Content

USPS-FY16-2 is an output (“C” report) of the public FY 2016 Cost and Revenue Analysis (CRA) Model (USPS-FY16-31) that displays the volume variable & product specific costs by Market Dominant product by component for 17 cost segments, including Postmasters, Supervisors, Clerks and Mail Handlers, City Carrier In-Office Activities, City Carrier Street Activities, Rural Carriers, and Purchased Transportation. For competitive products, the report displays summary information by component.

B. Predecessor Document

USPS-FY15-2

C. Corresponding Non-Public Document

USPS-FY16-NP12, FY 2016 Non-Public Cost Segments and Components Report

D. Methodology

The Public Cost Segments and Components Report documented in USPS-FY16-31 essentially follows the methods applied in the Commission’s FY 2015 Annual Compliance Determination (ACD). Although Order No. 3506 added inframarginal costs as a component of attributable costs going forward, the starting point for postal costing is and will remain the development of volume variable and product specific costs performed in the CRA Model (USPS-FY16-31). Those volume variable and product specific costs flow into the Cost Segments and Component report presented in this folder. Moreover, the Commission said in Order No. 3506 that “marginal costs should remain as the Postal Service’s basis for setting prices.”¹ Thus, the FY 2016 Public Cost Segments and Components Report documented in USPS-FY16-2 follows the methods applied in the Commission’s FY 2015 Annual Compliance Determination (ACD) for calculating volume variable and product specific costs with the modifications discussed in USPS-FY16-31 (CRA Model) and USPS-FY16-32 (“B” Workpapers).

Accordingly, USPS-FY16-2 now has product costs at the component level rather than at a more aggregated level as was done previously. Components serve as

¹ Docket No. RM2016-2, Order No. 3506 at 61.

the building blocks for the CRA and displaying volume variable and product specific costs at the component level enables customers to better evaluate and understand the sources of costs.

E. Inputs/Outputs

The tables below show the ACR folders that serve as inputs/outputs to/from USPS-FY16-2.

Input ACR Folders

Description	ACR Folder
FY 2016 CRA Model	USPS-FY16-31

Output ACR Folders

Description	ACR Folder
FY 2016 Nonprofit Mail Cost Approximations	USPS-FY16-27
FY 2016 Special Cost Studies Workpapers – Special Services	USPS-FY16-28

II. ORGANIZATION

USPS-FY16-2 consists of an Excel workbook, named FY16Public Cost Segs and Comps. The workbook has tabs for each Cost Segment that shows volume variable/ product specific costs by Market Dominant product and Competitive products in aggregate by component. The report also has a tab named CSSummary which displays aggregate volume variable and product specific costs by Market Dominant product and Competitive products in aggregate by cost segment. Volume variable and product specific costs for several products are further modified by final adjustments performed in the model's "D" report which is contained in folder USPS-FY16-31.